

Message Text

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ACTION NEA-11

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
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R 021333Z JUL 78
FM AMEMBASSY AMMAN
TO SECSTATE WASHDC 6689
INFO AMEMBASSY ABU DHABI
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY DOHA
AMCONSUL JERUSALEM
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY TEL AVIV

C O N F I D E N T I A L AMMAN 05713

DEPARTMENT PASS AID

E.O. 11652: N/A
TAGS: EFIN, JO
SUBJ: STATUS OF GOJ BUDGET

REF: AMMAN 1615

1. ANNUAL GOJ CASH FLOW CRISIS HAS ONCE AGAIN DEVELOPED.
DESPITE AUSTERITY BUDGET, CENTRAL BANK AND MINISTRY OF
FINANCE FEAR RECORD CASH FLOW DEFICIT FOR 1978. EVEN
IF GOJ IS ABLE TO HOLD DOWN THIS YEAR'S EXPENDITURES TO
LEVEL PROJECTED IN 1978 BUDGET DOCUMENT, GOVERNOR OF
CENTRAL BANK FEARS DEFICIT MAY REACH RECORD 40-50 MILLION
JD. HE NOW CONSIDERS CASH DEFICIT IN RANGE OF 30 MILLION
JD BEST PERFORMANCE HE CAN HOPE FOR.
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2. MAJOR PROBLEM IS FAILURE THUS FAR FOR MUCH OF 103
MILLION JD IN BUDGET SUPPORT WRITTEN INTO 1978 BUDGET
TO BE ASSURED. GOJ IS CONFIDENT OF RECEIVING ONLY US
BUDGET SUPPORT, KUWAITI AND SAUDI KHARTOUM PAYMENTS, AND
SOME ADDITIONAL SUPPORT FROM KUWAIT, ABU DHABI AND QATAR
(PROBABLY THEIR RABAT CONTRIBUTIONS). THIS LEAVES IN

QUESTION SAUDI RABAT SUBSIDY (17 MILLION JD), UNIDENTIFIED
"OTHER FINANCIAL ASSISTANCE" (11 MILLION JD), AND (1976
AND 1977) SAUDI OIL SUBSIDY OF \$40 MILLION, WHICH IS
EXTRA-BUDGETARY.

3. PROSPECTS FOR 1979 BUDGET MAY BE EVEN DIMMER, AS GOJ
AUTHORITIES CONCEDE THAT EVEN UNDER MOST PROMISING READING
(I.E. THEIR OWN) OF RABAT AGREEMENT, RABAT SUBSIDIES COME
TO END IN 1978. AT SAME TIME GOJ WILL HAVE TO BEGIN LARGE
EQUITY CONTRIBUTIONS TO POTASH AND FERTILIZER PROJECTS.
CENTRAL BANK GOVERNOR IS CONSIDERING ISSUANCE OF ABOUT
5 MILLION JD IN DOMESTIC DEBT ABOVE ANNUAL 15 MILLION
CALLED FOR IN 1976-1980 FIVE YEAR PLAN TO EASE CASH PROBLEM.
RECOURSE TO EURO-MARKET FOR DEVELOPMENT PROJECTS MAY ALSO
BE INCREASED BEYOND PREVIOUSLY PLANNED LEVEL.

4. VALIDITY OF JORDANIAN PASSPORTS HAS BEEN REDUCED FROM
FIVE TO THREE YEARS IN ANTICIPATION OF INTRODUCING PASS-
PORT TAX OF 150 JD FOR EACH RENEWAL BY JORDANIAN NATIONALS
WORKING ABROAD. IF TAX IS LEGISLATED, IT WOULD RESULT IN
ABOUT 10 MILLION JD IN ADDITIONAL ANNUAL REVENUE. THIRD
INCREASE IN PRICE OF PETROLEUM PRODUCTS IN AS MANY YEARS
ALSO BEING CONSIDERED BUT NOT VERY ENTHUSIASTICALLY AT
THIS POINT. NUMEROUS OTHER DEVICES TO INCREASE REVENUES
ALSO UNDER CONSIDERATION TO AVOID CRISIS, BUT NONE THAT
WE ARE AWARE OF WOULD RESULT IN IMMEDIATE LARGE INCREASE
IN REVENUES, AND MOST WOULD BE DIFFICULT TO ADMINISTER
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AND/OR MIGHT HAVE NEGATIVE EFFECTS ON ECONOMY.
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